

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 29, 2013

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: RASHAD M. YOUNG, CITY MANAGER *mf*

FROM: NELSIE L. SMITH, DIRECTOR, OFFICE OF MANAGEMENT & BUDGET *mf*

SUBJECT: BUDGET MEMO #12: RESPONSE TO COUNCIL QUESTIONS

Every Friday, the Office of Management & Budget issues Budget Memos to answer questions posed by members of City Council. We will prepare the memos in a question and answer format. Below are answers to some of the questions posed thus far:

POTOMAC YARD (J. Wilson)

Question: “(Operating 7-9) The proposed budget indicates that that “City Council has approved legislation to set aside all appreciation on real estate in Potomac Yard to support Metrorail development.” Wasn’t the adopted plan to set aside net new tax revenues LESS the amount needed to serve the properties (40% new residential, 83% new office, 87% of new retail, 94% of new hotel)??”

Response: The current CIP funding for the Potomac Yard Metrorail station includes \$2.0 million in FY 2014. This includes \$1.5 million in incremental real estate tax revenues (ie the difference between real estate values in 2010 compared to 2013), as well as \$0.5 million in Potomac Yard Special District Tier I revenues. There is no deduct at this time for the cost of service delivery to the incremental tax revenues (the special tax district revenues have no deduct), as there has been very little incremental service delivery costs to date as most of Potomac Yard remains appreciating raw land, or long standing retail property. There has also been no addition of incremental sales, business tangible, meals, and business license tax revenues to the Potomac Yard fund which the Potomac Yard debt service amortization funding model anticipates. With development of Potomac Yard now accelerating, and with the timing of potential station construction drawing nearer, the fine tuning of the revenue calculation model will occur over the next year and be reflected starting as early as the FY 2015 CIP. Part of the fine tuning will be a planned restudy of the cost of service percentages (the ones referenced in the question) over the next year as the percentages are over a decade old, and they

never were differentiated by service demand of the major residential building types (single family detached, townhouse, garden, and mid/high rise residential). Making a distinction will be important as Alexandria City Public Schools costs are the biggest driver of the cost of serving residential properties, and there are major differences in student generation among different types of residential property.

FIELD USE FEE (J. Wilson)

Question: “In the event that a qualifying non-profit youth sports league offers a partial or complete registration scholarship to a child meeting ACPS Free/Reduced Lunch Criteria, what would be the fiscal impact of offering a 50% abatement of the field use fee assessed to the league for those youth?”

Response: The fiscal impact of offering a 50% abatement of the field use fee for children on scholarship through a qualifying non-profit youth sports programs would be a reduction in revenue of approximately \$2,765. Currently, there are 553 scholarship participants in qualifying non-profit youth sports programs. RPCA charges a standard \$10/per participant field use fee, which yields \$5,530 in annual revenue. A 50% abatement of the field use fee reduces revenue to \$2,765.

SMOKING CESSATION OPTIONS (J. Wilson)

Question: “What are some smoking cessation options for tax rate increase based on the findings from the Public Health Commission's report (health to review and comment in a budget memo)?”

Response: The Health Department currently does not have a respiratory health program (the previous respiratory health program was eliminated by City Council in budget reductions in FY 2013); there is currently no Alexandria Health Department (AHD) strategic plan to reestablish such a program.

AHD has no detailed options to start up such a program, though devoting revenue to a broader program to address disease control and health promotion, particularly as they relate to health inequities, would be:

- 1) Organizationally prudent and strategically efficient (establishing a broader program that addresses diseases and/or social determinants of health that disproportionately affect vulnerable populations, instead of a singular, stove-pipe program, would be more effective and flexible);
- 2) In alignment with AHD and City strategic plans;
- 3) A step toward mitigating concerns about the regressivity of tobacco taxation (it is well documented that, while Alexandrians have relatively low rates of tobacco use, there is a higher prevalence of tobacco use and addiction, and subsequent adverse health outcomes,

among racial and ethnic minorities, low-income, and mentally ill populations).

As part of the FY 2014 Proposed Budget, the City Manager included an increase of 10 cents per package of cigarettes, which would generate an estimated \$350,000 annually for the General Fund. This amount of money, or a lesser amount, could establish a sustainable program within the Health Department to address the issues listed above. The decision to utilize revenues from the proposed increase of 10 cents per package of cigarettes dedicated to such a program, however, would necessitate an increase of an equal amount of other revenues and/or additional budget reductions as the \$350,000 has already been used as a funding source in the FY 2014 Proposed Budget.

FIRE STATION RENOVATION REASSESSMENT TIMETABLE (J. Wilson)

Question: “(CIP 10-28 – CIP 10-32) Each of the proposed Fire Station renovation projects has been delayed by one year pending a reassessment of the provision of these services. What is the timetable for that reassessment?”

Response: It is anticipated that this work will begin in Summer 2013, with an anticipated timeframe for completion being 18-24 months. This is complex issue involving coordination with a number of City departments including General Services, Office of Performance Accountability (OPA), Fire Department, Geographic Information Services (GIS), and the Office of Management and Budget (OMB). The reassessment of services will involve evaluating the entire Fire/EMS system’s deployment which impacts response times and outcomes regarding life/safety. This evaluation will ultimately provide a plan to address fire station capital needs including optimal station locations and level of future capital investment required at existing fire stations. It is recommended that no significant capital project (re-build or replacement) commence until the reassessment of services is complete or until services at an individual station have been thoroughly evaluated and been incorporated into an overall service delivery plan.

Furthermore, as part of the Planning & Zoning and General Services Long Range Planning Work Program presented to City Council March 23, 2013, location strategies for public facilities will be addressed, including considerations for City office locations (including consolidation opportunities) and policies to guide public facility location over the long term. In FY 2014, areas of particular emphasis will be City Hall (in advance of planned replacement of a 40-year-old HVAC system) and fire station locations.

SLIDING SCALE FOR RECREATION CLASSES (J. Chapman)

Question: “The financial impact of having a sliding scale for recreation classes.”

Response: The current administrative policy from RPCA regarding financial assistance for City programs is as follows:

RPCA encourages resident participation in City programs. A financial assistance policy and process is developed to allow for maximum resident participation in City programs. All City residents who meet qualifications are eligible. All City programs or affiliate programs are eligible for financial assistance.

Fee assistance may be granted according to the following schedule:

- 40% reduction for households where a child receives free or reduced lunch at an Alexandria City School.
- 50% reduction for households where a child receives free or reduced lunch and the family receives nutrition assistance.
- 70% reduction for households where a child receives free or reduced lunch, and receives TANF (Temporary Assistance for Needy Families), or where they reside in a City of Alexandria temporary shelter.

TAKE HOME VEHICLE POLICY (J. Chapman)

Question: “Could you provide more information and the financial impact of "Reducing fuel usage and cost through take home policy" in the Internal Services cluster of Budget Memo #7?”

Response: Reducing the usage and cost of fuel for take home vehicles is an issue that City staff is in the midst of collecting data and evaluating. Fuel usage and the cost associated with take home vehicles most likely means reducing the current number and/or location of take home vehicles; which means, we must first understand why we have take home vehicles, what their purpose is, and how we use them. The City’s Office of Performance and Accountability (OPA) recently conducted an AlexStat meeting on the goals and policies associated with the City’s use of take home vehicles. Analysis was conducted using the four major City departments that have take home vehicles – Police Department, Fire/EMS Department, Sheriff’s Office, and Transportation and Environmental Services. These vehicles are assigned to essential City personnel who are required to respond to emergencies or significant events that are public safety or weather related and that occur after normal business hours. Some vehicles also serve the purpose of providing a force multiplier of law enforcement within the community. AlexStat determined that there is currently a lack of detailed operational data (i.e. when and for what reason a take home vehicle was used to respond to an event) to support the goals and purposes for which take home vehicles are used. Due to the absence of data, it could not be determined what financial impact these vehicles have on the City. A second phase of this project has been approved to identify how operational performance data can be captured more efficiently as well as determine if a cost savings can be realized through the collection of this data. The

second phase of the AlexStat meeting has not yet been scheduled until data collection has begun and has been sustained.

AFFORDABLE HOUSING (J. Chapman)

Question: “If we set aside an additional .6 cents for affordable housing, are there target properties that we could use that money for this year?”

Response: An additional 0.6 cents on the real property tax rate would yield approximately \$2 million annually. To date, there is at least one potential affordable housing development project for FY 2014. As is typically the case, additional properties could be brought to the City’s attention during the upcoming fiscal year. For that one property, an organization has informed The Office of Housing informally that they have had discussions with a broker about a specific piece of property that they are considering for a 2014 tax credit application. At this point, the organization is not ready to meet formally with the City to discuss specific details and therefore we do not know whether they are in active negotiations with the seller, nor do we know the amount of subsidy that would likely be required. However, based on the limited information we do know, it is likely that this project could use a portion of the funds that could be made available with an additional 0.6 cents. We do not publicly identify specific properties and bidders until a sales agreement has been reached. Should this materialize into a real funding possibility for the City, staff will provide additional information to Council in an appropriate manner.

AFFORDABLE HOUSING (Mayor Euille)

Question: “Is it correct that Council could decide to utilize some of the 1.5 cent advertised real estate tax rate increase (i.e., the amount above the 2.5 cent increase needed to fund the City Manager’s base budget) to help accelerate the implementation of the Proposed Beauregard Affordable Housing Plan?” The attached recently provided memo to the planning commission discusses the finances of the Beauregard Affordable Housing Plan.

Response: Yes, an increase in the tax rate (of any amount) for affordable housing could be utilized towards funding the earlier implementation of the pending Beauregard Affordable Housing Plan. Although, not needed until FY 2015, monies could be reserved in FY 2014 to be used in FY 2015.

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 27, 2013

TO: CHAIR AND MEMBERS, PLANNING COMMISSION

FROM: FAROLL HAMER, DIRECTOR, PLANNING & ZONING *fh*

SUBJECT: IMPLEMENTATION OF BEAUREGARD SMALL AREA PLAN PUBLIC BENEFITS UPDATED SOURCES AND USES; AFFORDABLE DELIVERY SCHEDULE; ALLOCATION OF NET NEW REAL ESTATE TAX REVENUES

The Beauregard Small Area Plan (BSAP) included a financing plan reflecting sources and uses for the delivery of the contemplated \$258 million (future dollars) in public benefits including the delivery of 800 units of affordable and workforce housing. As part of the rezoning planning process, that financing plan has been updated (Attachment I). The key changes from the BSAP original public benefits financing plan (Implementation chapter, p. 151) are described below:

1. Based on current developer estimates, all of the Beauregard development plans have been shifted to start one year later than what was projected in the BSAP plan. Since the public benefits will largely be paid with developer contributions paid at each building's certificate of occupancy, as well as from the real estate tax increment which occurs at each stage of the development process, those public benefit projects (with the exception of affordable housing), developer contributions, and real estate tax revenues have also been shifted out one year.
2. When the BSAP negotiations were initiated, costs paid for by the developer contribution rate were first calculated in 2011 dollars which resulted in a \$12.55 per square foot contribution rate. This contribution rate has now been adjusted forward by actual inflation (CPI-U) since then to \$13.13 in 2013 dollars. CPI-U will continue to then be applied annually starting in 2014.
3. In addition to the inflation adjustment noted above, due to the shift out by one year of all planned development, all public benefit costs and developer contribution rates have been inflated by 3% in each year of the plan implementation. This is the primary reason why the plan implementation cost has increased from \$258 million to \$263 million.

4. In the rezoning negotiations, the developers agreed to an additional new added 3 cents per square foot for storm water initiatives. This has been added to the \$13.13 contribution rate to a new \$13.16 2013 rate, and a new storm water initiative added to the public benefits line.
5. In order to better define the likely costs of the Ellipse over the next year rather than waiting for this \$35 million project cost refinement in 2017, the City's FY 2014 Transportation Improvement Program contemplates funding \$0.3 million in preliminary Ellipse design and engineering costs so the Ellipse cost refinement could occur earlier. These savings were reallocated to storm water initiatives and, when added to the new 3-cent developer paid add-on, results in \$0.6 million (2013 dollars) in funding for new storm water initiatives.
6. With the non-participation of the dry cleaner's site in the Hekemian land assemblage at Beauregard and Seminary, 75,000 square feet of development and its related developer contributions have been removed from the plan. The net result is that net new Beauregard real estate tax revenues of about \$1.0 million will be substituted. If the dry cleaner's site is reincorporated into the Beauregard Plan at some point in the future, the developer contribution rate of \$13.16 (as annually adjusted) would be proposed to be applicable to that site.

As described in the rezoning documents, the affordable/workforce housing plan was revised to serve more of the Beauregard low-income population, to leverage federal low income housing tax credits, and to deliver these affordable housing units earlier than the BSAP plan contemplated:

1. The BSAP projected 29 years to deliver all 800 affordable/workforce housing units while the revised proposal delivers these units in 21 years.
2. The BSAP projected that the median delivery date would be in year 11 of the plan, while the revised proposal would deliver the 400th unit in year 10 of the plan.
3. The revised plan has more affordable housing units in place in 22 years of the 29 year implementation plan, and fewer units in place in only 4 years of the plan.

A comparison of the projected unit delivery schedule (Beauregard Small Area Plan vs. Rezoning Plan) is included as Attachment II.

As part of the discussion of the rezoning process, Planning Commissioner Hyra requested that a chart of the projected net new real estate tax revenues generated by the proposed Beauregard redevelopment be prepared. The chart (Attachment III) shows that all net new real estate taxes from Beauregard redevelopment are proposed to be used to fund Beauregard public benefits (mostly to fund more affordable housing above that which the developers will contribute to) from 2017 to 2027. From 2017 to 2035, the City would direct \$100.3 million of net new Beauregard tax revenues towards Beauregard public benefits, with \$44.1 million of that amount

being reimbursed by developer contributions from 2028 until 2042. This results in a final City contribution of net new Beauregard real estate tax revenues of \$56.2 million. Starting in 2027, some to all of the net new real estate tax revenues received annually become available to fund, through the City's General Fund, services Citywide and in the Beauregard area.

- Attachments
- I: Beauregard Plan Public Benefit Funding Summary: Sources and Uses
 - II. Affordable/Workforce Housing Plans: Comparative Delivery Schedule
 - III. Proposed Allocation of Net New Real Estate Tax Revenues

Beauregard Plan Public Benefit Funding (\$ in Millions) Sources and Uses
(Revised)

PUBLIC BENEFITS (Uses)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fire Station			1.1	5.2	5.4						
Ellipse					3.4	15.6	16.1				
Rapid			2.6	12.3	12.6						
Transitway											
Landscaping				1.8	1.8						
Beauregard											
Tree Canopy			0.2					0.2			
Other Roads				0.2	0.2	0.1	0.1				
Ramsay Field/ Other								0.6	3.0	3.8	0.9
Other Parks										0.4	1.7
Stormwater											
Improvements											
A/W Housing	2.0	2.0	0.1	0.1	3.2	0.1	4.0	12.8	9.3	17.6	20.3
Total	2.0	2.0	4.0	19.6	26.6	15.8	20.2	13.6	12.3	21.8	22.9
Funding (Sources)											
Developer Contributions			19.5	1.1	19.9	3.2	5.5	7.8	1.8	8.9	8.3
RE Tax Revenues			3.0	3.4	6.8	7.5	8.7	10.0	10.7	12.5	14.5
City Housing Trust Fund/Other	2.0	2.0					4.0				
Total	2.0	2.0	22.5	4.5	26.7	10.7	18.2	17.8	12.5	21.4	22.8

Beauregard Plan Public Benefit Funding (\$ in Millions) Sources and Uses (Revised)

PUBLIC BENEFITS (Uses)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Fire Station											
Ellipse											
Rapid											
Transitway											
Landscaping											
Beauregard											
Tree Canopy		0.3					0.4				
Other Roads											
Ramsay Field/ Other											
Other Parks	1.7										
Stormwater							0.6	0.6			
Improvements											
A/W Housing	18.5	20.1	9.9	8.3		7.6	10.2	8.5	8.8	6.3	
Total	20.2	20.4	9.9	8.3	0.0	7.6	11.2	9.1	8.8	6.3	0.0
Funding (Sources)											
Developer											
Contributions	4.6	9.0	7.1	4.7	8.9	8.5	13.0	4.0	9.6	4.9	7.5
RE Tax Revenues	15.7	11.0	(1.2)	3.6	(8.9)	(0.9)	(1.8)	5.1	(0.8)	1.4	(7.5)
City Housing											
Trust Fund/Other			4.0								
Total	20.3	20.0	9.9	8.3	0.0	7.6	11.2	9.1	8.8	6.3	0.0

Beauregard Plan Public Benefit Funding (\$ in Millions) Sources and Uses
(Revised)

PUBLIC BENEFITS (Uses)	2037	2038	2039	2040	2041	2042	Grand Total
Fire Station							11.7
Ellispse							35.1
Rapid							27.5
Transitway							3.6
Landscaping							1.5
Beauregard							0.6
Tree Canopy	0.4						8.3
Other Roads							3.8
Ramsay Field/ Other							1.2
Other Parks							169.7
Stormwater Improvements							263.0
A/W Housing	0.0	0.0	0.0	0.0	0.0	0.0	
Total	0.4	0.0	0.0	0.0	0.0	0.0	
Funding (Sources)							0
Developer Contributions	5.9	7.8	0.0	10.5		12.8	194.8
RE Tax Revenues	(5.5)	(7.8)	0.0	(10.5)	0.0	(12.8)	56.2
City Housing Trust Fund/Other							12.0
Total	0.4	0.0	0.0	0.0	0.0	0.0	263.0

Beauregard Affordable/Workforce Housing Plans

BSAP Affordable and Workforce
Housing Plan

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Set-aside Affordable and Workforce Housing Units	47	46	0	0	0	58	56	62	38	60
Cumulative Set-aside Affordable and Workforce Housing Units	47	93	93	93	93	151	207	269	307	367

Revised Beauregard Affordable
and Workforce Housing Plan

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Set-aside Affordable and Workforce Housing Units	43	42	18		36	0	69	103	29	104
Cumulative Set-aside Affordable and Workforce Housing Units	43	85	93	93	129	129	198	301	330	434
Cumulative Difference between BSAP and Revised Plan	(4)	(8)	0	0	36	(22)	(9)	32	23	67

Beauregard Affordable/Workforce Housing Plans

BSAP Affordable and Workforce Housing Plan

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Set-aside Affordable and Workforce Housing Units	60	60	30	30	30	30	30	20	20	20
Cumulative Set-aside Affordable and Workforce Housing Units	427	487	517	547	577	607	637	657	677	697

Revised Beauregard Affordable and Workforce Housing Plan

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Set-aside Affordable and Workforce Housing Units	60	53	56	27	22	0	19	75	20	20
Cumulative Set-aside Affordable and Workforce Housing Units	494	547	603	630	652	652	671	746	766	786
Cumulative Difference between BSAP and Revised Plan	67	60	86	83	75	45	3	89	89	89

Beauregard Affordable/Workforce Housing Plans

BSAP Affordable and Workforce Housing Plan

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Grand Total
Set-aside Affordable and Workforce Housing Units	20	20	9	9	9	9	9	9	9	800
Cumulative Set-aside Affordable and Workforce Housing Units	717	737	746	755	764	773	782	791	800	

Revised Beauregard Affordable and Workforce Housing Plan

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Grand Total
Set-aside Affordable and Workforce Housing Units	14	0	0	0	0	0	0	0	0	800
Cumulative Set-aside Affordable and Workforce Housing Units	800	800	800	800	800	800	800	800	800	
Cumulative Difference between BSAP and Revised Plan	83	63	54	45	36	27	18	9	0	

Beauregard Redevelopment
Proposed Allocation of Net New Real Estate Tax Revenues
(\$ in millions / future dollars)

**Net New Real Estate Tax Revenues Allocated
Towards Beauregard Public Benefits Plan**

2017	\$3.0
2018	3.4
2019	6.8
2020	7.5
2021	8.7
2022	10.0
2013	10.7
2024	12.5
2025	14.5
2026	15.7
2027	11.0
2028	(1.2)*
2029	3.6
2030	(8.9)*
2031	(0.9)*
2032	(1.8)*
2033	5.1
2034	(0.8)*
2035	<u>1.4</u>

Subtotal \$100.3

Total (44.1) Less future developer contribution reimbursement (see right column below)
 \$56.2 = Net City Beauregard Public Benefits Contribution

*Contributions by developers in years where there are no public benefit expenditures scheduled in that year. These funds would reimburse the City for a part of prior years' public benefit expenditures.

Net New Real Estate Tax Revenues

Allocated for City Services
(Future Dollars)**

Developer Contributions
(Future Dollars)

2027	6.8	
2028	19.6	
2029	16.5	
2030	23.2	
2031	25.6	
2032	28.9	
2033	25.4	
2034	33.1	
2035	33.5	
2036	37.5	7.5
2037	39.8	5.5
2038	42.6	7.8
2039	43.9	
2040	47.1	10.5
2041	48.7	
2042	<u>52.4</u>	<u>12.8</u>
Total	\$524.6	\$44.1

Net Present

Value*** \$216.1 million

\$18.2 million

***"Net new real estate taxes" are defined as the difference between the value of existing real property planned to be redeveloped and the value of future real property value when redeveloped. No deduction for the cost of the provision of City services to the new residents and businesses in the Beauregard area has yet been taken. These revenues are planned to be allocated for both providing the cost of City services to the Beauregard area as well as to help fund the cost of future City services. Calculations are expressed in future dollars and reflect the impact of inflation.

***Net Present Value reflects the discounting of the above totals to 2013 dollars. In effect, net present value removes the impact of compounded inflation from 2027 to 2042 and expresses these numbers in 2013 dollars (i.e., today's purchasing power).